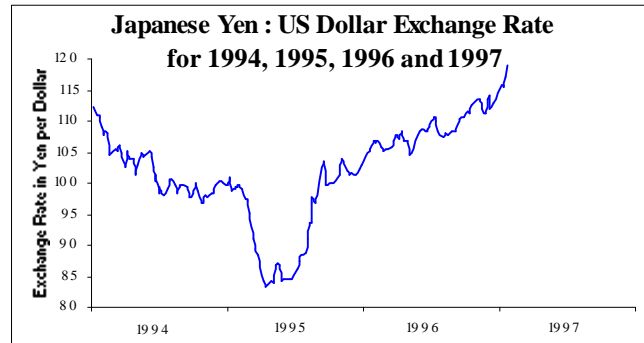
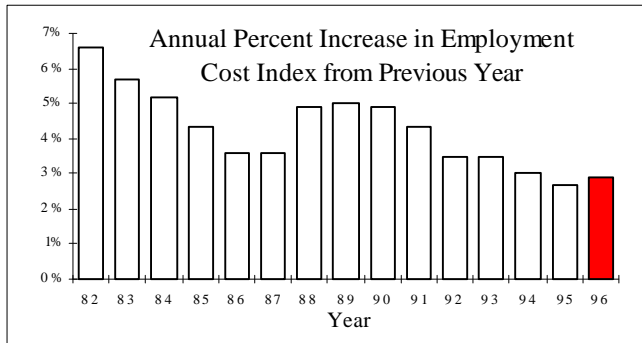


# The Economic Bulletin

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## EMPLOYMENT COSTS ROSE 2.9% IN 1996

The Labor Department reported that the employment cost index, which measures salaries, wages and benefits, increased 2.9% in 1996, greater than 1995's growth but less than all other increases in the past 15 years. Benefits grew 2%, the smallest increase since this index began in 1982, while wages and salaries increased 3.3%. The chairman of the Federal Reserve attributes the modest increase in employment costs to job insecurity which has eased wage pressures.

## WEAKENING JAPANESE CURRENCY

The yen:dollar exchange rate recently increased to above 119 yen/dollar, the highest rate in four years. The weakness of the yen, which has declined 33% in value since Spring 1995, is attributed to a record low Japanese discount rate and declining Japanese stock market that are driving funds out of the country. The weakening yen is also closely linked to the generally weak performance of the Japanese economy during the same period.

## MEXICO REPAYS LOAN TO US

The Mexican government this month finished repaying the \$13.5 billion loan made by the US in early 1995 to stabilize the Mexican economy. The return to a healthier economy has allowed Mexico to resume borrowing money at lower rates in private capital markets and to repay loans from the US and the IMF, which carry significantly higher interest rates.

## RUSSIAN COMPANIES TO DEVELOP IRAQI OIL FIELD

Lukoil, Russia's largest oil company, announced its intention to sign a deal to develop a major Iraqi oil field, once sanctions are lifted. The deal with the Iraqi government would allow Lukoil and two other Russian companies to develop the Western Kurna oil field. Under UN restrictions, Iraq may only purchase food and medicine and compensate Gulf War victims with the proceeds of oil sales. Lifting the trade sanctions would allow Russia to sell goods and services to Iraq for hard currency, and would enable Iraq to earn hard currency to repay the \$7 billion debt it owes Russia.

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## FUEL PRICES (*dollars/bbl*) AND EXCHANGE RATES (*foreign units/US dollars*)

|                               | <u>Jan 24</u> | <u>Jan 17</u> |                         | <u>Jan 24</u> | <u>Jan 17</u> |
|-------------------------------|---------------|---------------|-------------------------|---------------|---------------|
| Crude Oil ( <i>Foreign</i> )  | 20.96         | 21.04         | DM ( <i>Germany</i> )   | 1.63          | 1.60          |
| Crude Oil ( <i>Domestic</i> ) | 23.83         | 25.43         | Yen ( <i>Japan</i> )    | 118.92        | 117.00        |
| Pound ( <i>UK</i> )           | 0.613         | 0.598         | Peso ( <i>Mexico</i> )  | 7.79          | 7.83          |
| Ruble ( <i>CIS</i> )          | 5618          | 5602          | Won ( <i>S. Korea</i> ) | 8.54          | 849           |

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